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November 1986
Vol. 42 No. 506

BUSINESS IN NEBRASKA

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TRENDS IN NEBRASKA'S PERSONAL INCOME AND ITS COMPONENTS

Nebraska's personal income is one indicator of the state's economic performance. The examination of personal income data for the sixteen year period between 1970 and 1985 shows that Nebraska's 1984 and 1985 per capita personal incomes were higher than any of the previous years.

Before showing this record, a brief description of the personal income series will be presented with a short discussion about adjustment of the personal income series for price changes that occurred during the period. This is followed by a discussion of the record of per capita personal income for the past sixteen years. The wage and salary component of personal income for various industries then will be examined.

State per capita personal income estimates are produced by the U.S. Bureau of Economic Analysis (BEA). The latest data were released by BEA in August 1986 for 1985 and prior years. Table 1, which was derived from official BEA estimates, will be used to discuss trends in Nebraska's personal income.

All entries in Table 1 are on a per capita basis and have been adjusted for price change using the Personal Consumption Expenditure Deflator. Column 1 and Figure 1 on page 3 show personal income for the state. Column 1 shows that state personal income was higher in 1985 than any of the previous years. Similarly, the state's 1984 value was higher than any of the prior years. Examination of personal income for the 1970s shows that 1979 was the peak year for the decade, while 1973 was noteworthy when compared to other years in the first half of that decade. The peaks in these two years are due in part to unique circumstances. The 1979 peak can be attributed in part to the considerable amount of construction activity that took place in the late 1970s, including Burlington Northern's double tracking, Alliance car repair shops, Union Pacific's construction in North Platte, and the power plants at Sutherland. It is unlikely that we will see this magnitude of construction activity in the near future, and we certainly cannot expect such projects to occur every year. But

TABLE 1
Nebraska Per Capita Personal Income: 1970-1985
Adjusted by the Personal Consumption Expenditure Deflator to 1985 Dollars

	Per Capita Personal Income (6)+(7)+(8)	Per Capita Net Earnings by Place of Residence	Per Capita Dividends, Interest, and Rent	Per Capita Transfer Payments	Per Capita Farm Proprietors' Income	Per Capita Net Earnings Less Farm Proprietors' Income (6)-(9)	Per Capita Personal Income Less Transfer Payments (1)-(8)
	(1)	(6)	(7)	(8)	(9)	(10)	(11)
1970	$9,428	$7,105	$1,404	$ 918	$ 800	$6,305	$8,509
1971	9,792	7,404	1,398	990	988	6,417	8,803
1972	10,374	7,864	1,469	1,043	1,108	6,756	9,331
1973	11,493	8,755	1,568	1,167	1,699	7,056	10,326
1974	10,825	7,966	1,638	1,218	860	7,106	9,607
1975	11,289	8,298	1,620	1,373	1,178	7,120	9,916
1976	11,204	8,170	1,650	1,383	536	7,634	9,821
1977	11,503	8,351	1,753	1,402	469	7,883	10,101
1978	12,286	8,990	1,856	1,439	838	8,152	10,847
1979	12,545	9,135	1,948	1,465	826	8,309	11,080
1980	11,900	8,260	2,092	1,548	197	8,062	10,353
1981	12,546	8,542	2,390	1,612	782	7,760	10,933
1982	12,271	8,075	2,516	1,676	523	7,551	10,595
1983	12,117	7,849	2,533	1,736	322	7,527	10,380
1984	12,848	8,566	2,562	1,717	793	7,773	11,131
1985	13,281	8,916	2,569	1,792	1,033	7,883	11,489

Source: Bureau of Business Research calculations based on BEA data. This table is condensed from "Nebraska Personal Income, 1970-1985," available upon request from the Bureau of Business Research.

1979 also was a good year due to record manufacturing activity. We will see that 1973 stands out as the year of the Russian grain purchases that helped push Nebraska's farm proprietors' income to the highest level for the sixteen year period examined.

COMPONENTS OF PERSONAL INCOME

Personal income is the sum of net earnings (column 6); dividends, interest, and rent (column 7); and transfer payments (column 8). As a note of explanation, the earnings in column 6 are net of personal contributions for social insurance.

Given the amount of construction activity that took place during the late 1970s, it is not surprising that net earnings (column 6) for 1978 and 1979 were higher than any of the other 16 years examined. Net earnings for 1985 rank third highest. Farm proprietors' income, which is included in column 6, is shown separately in column 9. The peak year for this component was 1973, a year marked by Russian grain imports that far exceeded any other year. The trend in farm proprietors' income appears to be downward over the period examined, with considerable fluctuation from year to year. Farm proprietors' income in 1985 compared favorably with the earlier years. The reader is cautioned that farm income figures are on a per capita basis and not a per farm basis. Farm proprietors' income per farm is shown in Table 2. Per capita farm income data are presented in Table 1, so that we can derive net earnings (excluding farm proprietors' income which is shown in column 10). The trend in net earnings (excluding farm proprietors' income) is upward; however, it is not smooth. For the sixteen year period examined, the second half is clearly above the first half. The peak occurred in 1979. The latest recession is shown in 1982 and 1983 figures, followed by a recovery. Net earnings (excluding farm proprietors' income) in 1985 had not recovered to the levels of the 1978-1980 period before the recession.

Table 2
Nebraska Wage and Salary Disbursements Per Wage and Salary Employee 1970-1985*
(Adjusted for Price Change)

	1970	1973	1976	1979	1982	1983	1984	1985	Percent Change 1970-1972 to 1983-1985
All Industries	$14,676	$15,506	$15,663	$15,864	$15,778	$15,718	$15,733	$15,654	5.4%
Nonfarm	14,745	15,602	15,856	16,008	15,943	15,891	15,892	15,820	5.8
Private	14,785	15,514	15,886	16,094	15,898	15,794	15,742	15,591	4.5
Ag. Serv., Forestry, Fisheries, Other	11,401	10,908	11,017	9,977	9,828	10,668	10,419	10,283	-7.0
Mining	17,906	19,452	19,719	21,263	19,812	19,121	20,298	20,500	8.8
Construction	21,094	22,186	22,141	20,845	19,469	18,109	18,023	18,383	-15.2
General Building Contractors	19,605	19,417	19,932	18,984	18,849	17,749	18,125	18,842	-7.4
Heavy Construction Contractors	22,771	24,717	25,269	25,636	22,899	20,511	20,112	19,506	-12.0
Manufacturing	18,240	18,938	20,023	20,028	20,169	20,207	19,970	20,114	8.1
Nondurable Goods	18,453	19,146	20,090	19,877	19,807	19,620	18,871	19,188	2.6
Food & Kindred Products	19,371	20,029	21,648	21,305	21,187	20,400	18,772	19,159	-0.8
Durable Goods	18,037	18,756	19,959	20,161	20,544	20,814	21,062	21,086	13.7
Transportation & Public Utilities	21,068	23,853	24,659	25,681	26,672	27,316	27,258	27,169	23.6
Railroad Transportation	24,904	29,012	29,043	30,658	34,224	37,021	37,343	35,609	40.0
Trucking & Warehousing	19,012	22,390	22,508	22,771	21,414	20,944	20,519	19,911	1.0
Communications	18,696	21,217	22,780	23,557	24,842	25,542	24,796	26,916	31.0
Electric, Gas, & Sanitary Services	21,838	22,959	25,299	25,574	27,311	27,874	29,672	31,605	32.8
Wholesale Trade	20,029	21,339	20,640	20,443	19,526	19,259	19,131	18,759	-6.5
Retail Trade	10,325	10,656	10,358	10,253	9,592	9,374	9,269	9,006	-12.0
Finance, Insurance, & Real Estate	17,301	17,647	17,523	17,715	18,288	18,700	18,753	19,015	7.5
Banking & Credit Agencies	17,209	17,371	17,105	17,045	17,679	17,836	17,877	17,851	3.3
Other Finance, Insurance, & Real Estate	17,355	17,803	17,768	18,101	18,644	19,210	19,263	19,667	9.9
Insurance Carriers	18,026	18,068	18,357	18,533	19,146	19,456	19,778	20,044	10.2
Insurance Agents, Brokers, & Services	17,557	18,226	18,055	18,553	17,709	16,991	17,307	17,504	-2.9
Services	10,092	10,607	11,117	11,857	12,293	12,383	12,413	12,393	20.8
Business Services	12,132	12,161	11,599	11,363	12,154	12,603	12,649	12,705	4.9
Health Services	11,408	11,698	12,704	13,712	15,179	15,401	15,373	15,142	34.5
Government & Government Enterprises	14,625	15,888	15,759	15,707	16,098	16,222	16,425	16,639	10.1
Federal, Civilian	22,534	24,685	24,663	24,559	23,376	23,928	23,622	23,643	2.0
Military	11,957	14,508	15,231	14,968	17,993	17,799	17,696	18,218	45.1
State & Local	13,866	14,638	14,494	14,538	14,743	14,841	15,148	15,339	7.3
Farm Proprietors' Income Per Farm	16,300	37,101	12,402	19,882	13,211	8,296	21,203	28,116	-5.0

*Underlying data are from the *Regional Economic Information System*, Bureau of Economic Analysis, Table SA7. Converted to a per wage and salary worker basis and adjusted for price change using the Personal Consumption Expenditure Deflator by the Bureau of Business Research. Due to space limitations, all years are not shown. The complete table is available upon request from the Bureau of Business Research.

The trend in the combined dividends, interest, and rent component (column 7) was clearly upward for the period. There were only two years in which a decline in this series was recorded (1971 and 1975). The peak in interest rates came in 1981, which is reflected by the sharp jump in the component. It should be noted that even as interest rates registered declines during the following years, the combined component continued to show small increases.

With one exception, transfer payments (column 8) increased each year between 1970 and 1985. The exception was 1984, which showed a small decline from 1983. There has been interest in examining the trend in personal income with transfer payments removed, presumably to exclude the impact of aid payments. Personal income with transfer payments removed is shown in column 11. The reader is cautioned that transfer payments include many forms of income beside aid payments. Transfer payments include, but are not limited to, payments under the following programs: federal Old Age, Survivors, and Disability Insurance; supplementary medical insurance; state unemployment insurance; railroad retirement and unemployment insurance; government retirement; workmen's compensation; veterans' benefits; food stamps; supplemental security income; and direct relief.

The trend in Nebraska personal income (excluding transfer

(continued on page 6)

Figure 1
Nebraska Per Capita Personal Income

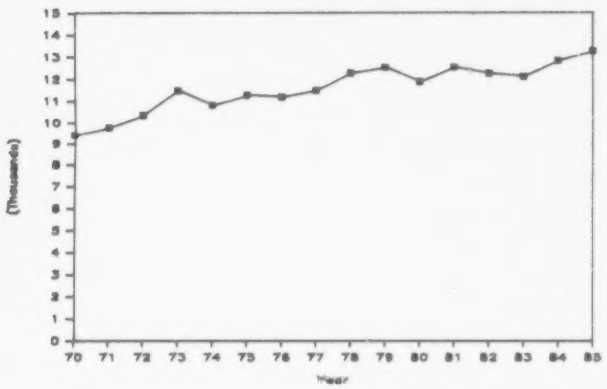


Figure 2
All Industries Wage & Salary Payments Per Employee

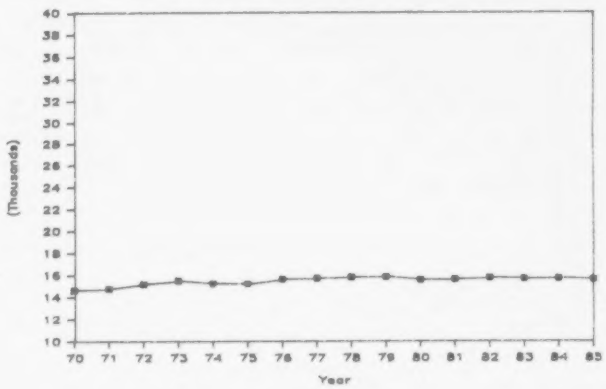


Figure 3
Railroad Wage and Salary Payments Per Employee

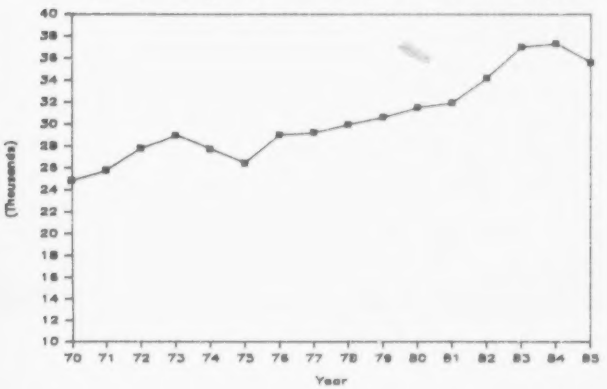


Figure 4
Communications Wage & Salary Payments Per Employee

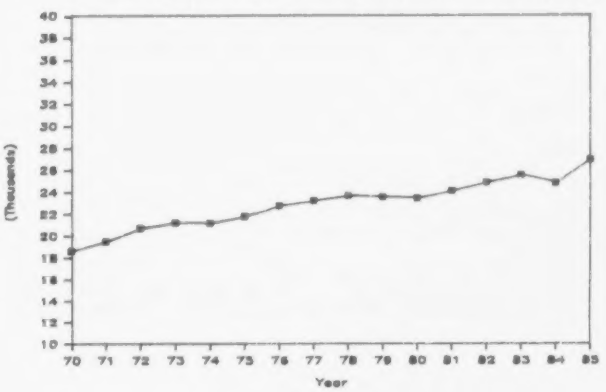


Figure 5
Construction Wage and Salary Payments Per Employee

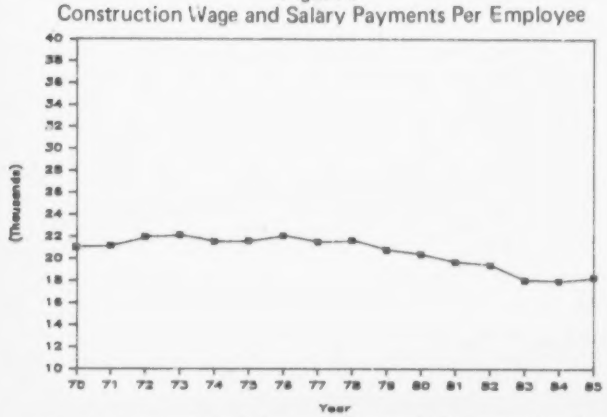
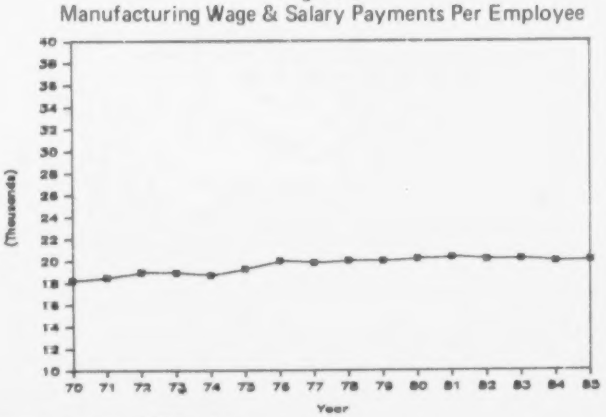


Figure 6
Manufacturing Wage & Salary Payments Per Employee



All data adjusted by the Personal Consumption Expenditure Deflator, 1982=100

Review and Outlook

Nebraska's economy declined in July on a month-to-month basis according to the Bureau of Business Research's physical volume index. The index fell 1.8 percent in July compared to June. The reason for the decline was a 12.5 percent drop in the agricultural sector. The composite of the four nonagricultural sectors, on the other hand, grew 0.4 percent, with construction and manufacturing recording decreases and the distributive and government sectors growing.

The construction sector's drop of 1.4 percent was the second consecutive monthly decline. The growth in construction during the first five months of 1986 appears to have tapered, but July's index is still slightly above the previous year's level.

Manufacturing recorded a fall of 2.4 percent in its index. Although this drop follows three months of growth, manufacturing output and employment have changed little in the last year.

The distributive sector grew 0.8 percent in July. This sector has been the state's most consistent, recording gains in all but one of the previous thirteen months.

Government output was up 3.2 percent in July, following a sizable 5.5 percent drop in June. During the past twelve months this sector has remained fairly flat with month-to-month gains or losses typically less than 1 percent.

Nebraska net taxable sales in July totaled $831 million, up from $755 million in July 1985. When adjusted for changes in

(continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

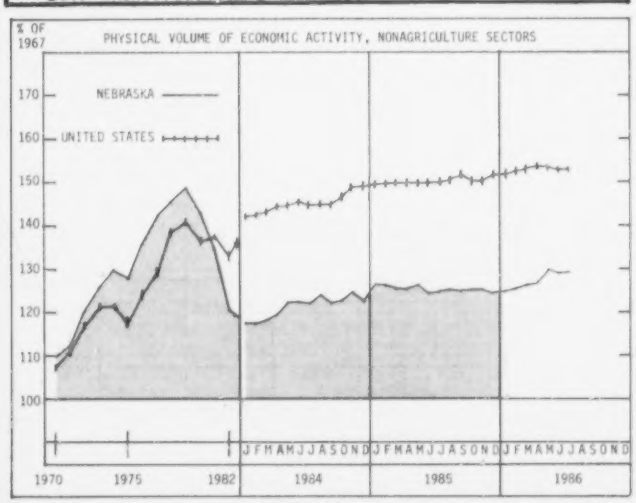
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

1. CHANGE FROM PREVIOUS YEAR

July 1986	Current Month as Percent of Same Month Previous Year		1986 to Date as percent of 1985 to Date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	101.2	103.6	101.9	104.2
Agricultural	77.8	86.6	91.0	92.4
Nonagricultural	105.1	104.0	103.7	104.4
Construction	104.1	106.1	99.1	106.6
Manufacturing	99.1	96.0	96.4	96.6
Distributive	106.2	106.0	104.6	106.5
Government	105.4	106.4	106.7	106.4
Physical Volume	98.3	102.2	100.4	102.5
Agricultural	77.5	87.8	96.4	99.5
Nonagricultural	103.1	102.6	101.2	102.6
Construction	101.0	102.9	96.3	103.7
Manufacturing	101.5	99.0	98.1	98.5
Distributive	104.6	104.4	102.2	104.2
Government	100.7	101.6	103.0	102.7

2. CHANGE FROM 1967

July 1986	Percent of 1967 Average	
Indicator	Nebraska	U.S.
Dollar Volume	379.6	469.1
Agricultural	319.6	284.1
Nonagricultural	388.5	475.1
Construction	304.4	501.6
Manufacturing	364.1	306.2
Distributive	400.6	564.3
Government	423.5	485.5
Physical Volume	131.2	153.1
Agricultural	147.3	127.4
Nonagricultural	128.7	153.9
Construction	82.5	135.9
Manufacturing	150.7	123.7
Distributive	122.1	172.0
Government	152.0	155.5

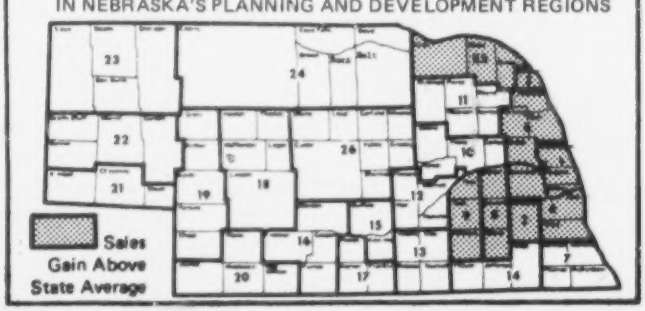


3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES

July 1986 Region Number[1] and City	City Sales[2]	Sales in Region[2]	
	July 1986 as percent of July 1985	July 1986 as percent of July 1985	1986 to Date as percent of 1985 to Date
The State	109.8	110.1	105.8
1 Omaha	110.7	111.1	108.7
Bellevue	105.3		
Blair	106.3		
2 Lincoln	111.0	109.8	107.4
3 So. Sioux City	124.6	116.8	108.5
4 Nebraska City	101.2	111.4	107.4
6 Fremont	107.9	113.0	107.9
West Point	110.6		
7 Falls City	104.0	110.8	105.8
8 Seward	127.5	110.5	110.7
9 York	107.9	112.1	108.3
10 Columbus	103.2	109.4	105.4
11 Norfolk	114.7	115.3	105.3
Wayne	109.1		
12 Grand Island	105.1	106.4	102.2
13 Hastings	97.0	101.3	103.8
14 Beatrice	108.1	107.1	106.2
Fairbury	112.0		
15 Kearney	110.9	112.7	105.5
16 Lexington	105.8	106.3	99.1
17 Holdrege	106.3	106.1	99.9
18 North Platte	110.7	108.4	104.2
19 Ogallala	110.2	100.3	96.1
20 McCook	106.7	102.3	101.9
21 Sidney	99.2	94.6	93.1
Kimball	87.7		
22 Scottsbluff/Gering	108.7	108.5	102.1
23 Alliance	102.9	115.8	100.9
Chadron	152.6		
24 O'Neill	114.2	114.3	104.0
25 Hartington	104.8	124.5	110.7
26 Broken Bow	104.7	111.1	102.9

[1] See region map below.
[2] Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
Compiled from data provided by Nebraska Department of Revenue.

1986 YEAR TO DATE AS PERCENT OF 1985 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(continued from page 4)

prices, total sales were up 12.0 percent. Nonmotor vehicle sales were $720 million, compared to $656 million one year ago. Motor vehicle sales amounted to $111 million in July 1986 and $99 million in July 1985. The price adjusted July-to-July changes were an increase of 14.4 percent for motor vehicle sales and an 11.6 percent increase for nonmotor vehicle sales. Nearly all regions of the state shared in July's sales growth, but the highest rates were concentrated in the eastern third of the state.

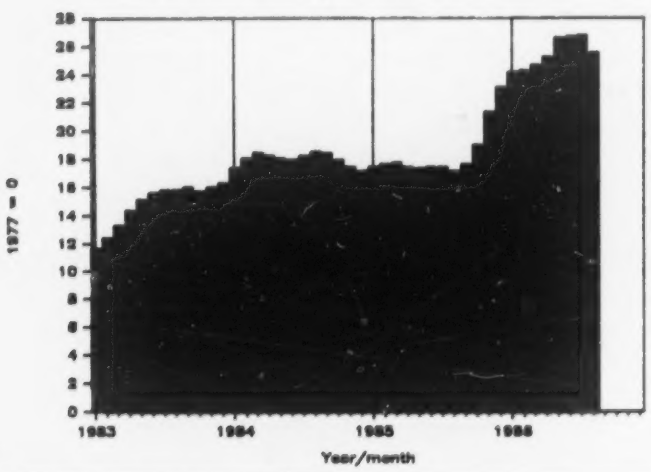
All but one of the city business indexes were above the previous July's level. Chadron led with a 22.9 percent increase. South Sioux City ranked second with a 17.3 percent gain and was followed by Seward (+13.7 percent) and Sidney (+10.4 percent).

The Nebraska composite index of leading economic indicators dropped 1.0 percent during August 1986, the first decrease since August 1985. (The August index contains preliminary data and may be revised upward next month.) August's decrease indicates that the state's economy may be leveling off, especially since the two previous months each recorded gains of only 0.1 percent. A single monthly decline in the leading index should be interpreted cautiously, however, because the decision rule for the signaling of the onset of a downturn is three consecutive monthly declines.

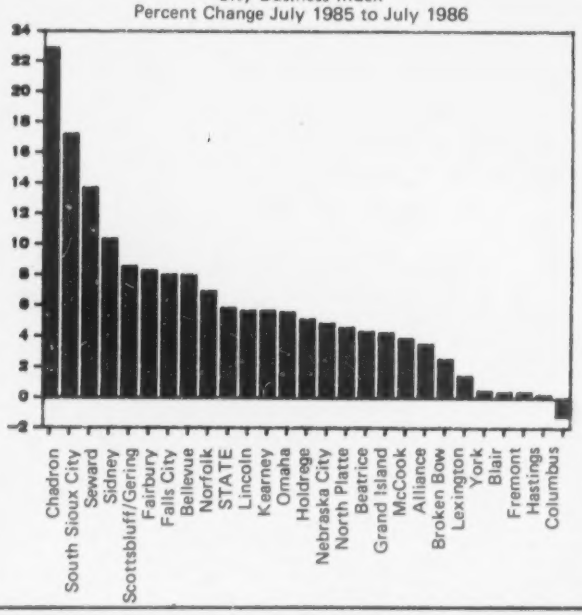
Led by declines in the residential construction component, three of the five components of the leading index fell in August. Other declines were recorded in the initial claims for unemployment insurance and the prices received for farm products components. The growing components were average weekly earnings in manufacturing and the index of 500 common stocks.

JEROME A. DEICHERT

Nebraska Composite Leading Index



City Business Index
Percent Change July 1985 to July 1986



4. July 1986 — CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago: Employment[1]	Building Activity[2]	Power Consumption[3]
The State	100.9	106.9	104.3
Alliance	98.2	165.0	81.3
Beatrice	101.0	90.6	105.0
Bellevue	99.6	289.1	123.5*
Blair	99.6	54.3	100.7*
Broken Bow	101.7	81.1	96.9
Chadron	102.4	57.8	104.2
Columbus	100.7	46.4	106.5
Fairbury	102.0	130.9	99.7
Falls City	102.1	263.3	108.9
Fremont	102.6	35.2	104.5*
Grand Island	102.6	103.2	94.3
Hastings	101.3	106.0	102.9
Holdrege	101.2	125.5	119.2
Kearney	101.8	84.9	98.7
Lexington	100.6	64.2	94.0
Lincoln	100.5	96.3	104.3
McCook	101.8	87.0	116.9
Nebraska City	101.6	184.9	111.5
Norfolk	101.9	77.7	100.8
North Platte	100.4	78.9	101.6
Omaha	99.6	103.9	106.3
Scottsbluff/Gering	101.8	193.3	121.1
Seward	100.9	104.8	97.2
Sidney	101.0	731.8	95.0
So. Sioux City	101.2	273.8	103.0
York	101.4	40.1	89.5

[1] As a proxy for city employment, total employment for the county in which a city is located is used.
[2] Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.
[3] Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

July 1986	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	328.0	101.6	102.3
Commodity component	281.9	98.4	99.5
Wholesale Prices	297.7	96.3	97.4
Agricultural Prices			
United States	223.0	98.7	92.8
Nebraska	217.0	100.5	93.9

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(continued from page 3)
payments) has been upward. The value for 1985 was higher than any other previous year.

WAGE AND SALARY INCOME BY INDUSTRY

The previous section examined Nebraska personal income and its components on a per capita basis. Table 2 shows, by selected industries, the wage and salary disbursement component of personal income on a per wage and salary worker basis. This allows a comparison of the levels and trends in this component among industries. For comparison, the last row of the table shows farm proprietors' income per farm. Before discussing the results, a note of caution is in order. The nonfarm industry entries in Table 2 were calculated for each industry by dividing total wage and salary disbursements in the industry by the number of wage and salary employees (full- and part-time) in the industry. Other things equal, an industry with a large share of part-time workers will have a lower per worker wage and salary disbursement value than an industry with a small portion of part-time workers. Similarly, a change in the mix of full-time and part-time employment within an industry will affect the value from one year to the next.

There are several significant features in Table 2. The overall trend in wage and salary disbursements per wage and salary worker between 1970 and 1985 is upward. (See Figure 2.) The last column of Table 2 shows the 1983-1985 average divided by the 1970-1972 average. For all industries, the increase between the two periods was 5.4 percent. The percentage change column also shows that for most of the selected industries the change over the period was upward.

Figure 2 shows that the largest increases in wage and salary disbursements per employee occurred in the 1970s. The period from 1978-1980 marks a plateau that continues through 1985. For the all industry category, the increase between 1970-1972 and 1978-1980 was 5.9 percent. Between 1978-1980 and 1983-1985, there was no increase.

The results in Table 2 suggest several sectors that should be examined more closely. Railroad transportation stands out not only because of the 40 percent increase in real wages and salaries per wage and salary employee, but also because of the high level when compared to other sectors. This can be seen by examining Table 2, but is more apparent when comparing Figure 3 which shows railroad wage and salaries per wage and salary employee with the figures for several other industries.

The communications sector also realized substantial increases during the 1970-1985 period, as shown in Figure 4. The average 1983-1985 was 31 percent higher than the 1970-1972 average.

Of the industries presented in Table 2, the sharpest declines were registered in the construction and retailing sectors at minus 12 percent. Examination of the record for construction (Figure 5) indicates that most of the decline in this sector occurred between 1979 and 1983.

Manufacturing showed small increases from 1970 to 1976, with virtually no change from that time on. This occurred despite substantial swings in employment in this sector during the period. Between 1979 and 1982, there was a sharp drop in Nebraska manufacturing employment, yet the wage and salary earnings per wage and salary employee showed little response to this pressure. (See Figure 6.)

SUMMARY

1. Nebraska's per capita personal income was higher in 1985 than in any prior year and higher in 1984 than in any prior year.

2. The trend in the net earnings (excluding farm proprietors' income) component of personal income is upward; however, it is not smooth. The peak occurred in 1979, and in 1985 it had not recovered to the levels of the 1978-1980 period before the recession.

3. The trends in the combined dividends, interest, and rent component and the transfer payments component were clearly upward during the sixteen year period. The same is true for Nebraska personal income, excluding transfer payments.

4. The overall trend in wage and salary disbursements per wage and salary worker is upward between 1970 and 1985, but the 1978-1980 period marks a plateau that continues through 1985.

5. Railroad transportation and communications stand out as sectors that realized large increases in wage and salary payments per wage and salary employee when compared with other industries. Manufacturing realized a small increase between 1970 and 1985, while wage and salary payments per wage and salary employee declined in construction.

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BUSINESS IN NEBRASKA
PREPARED BY BUREAU OF BUSINESS RESEARCH
Member Association for University Business & Economic Research

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November 1986 Vol. 42 No. 506

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